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SUBJECT: AMBASSADOR'S MEETING WITH MINISTER OF THE
PRESIDENCY

REF: TEGUCIGALPA 142

¶1. (SBU) Summary: In an introductory meeting with the new Minister of the Presidency, Maria Antonieta Bogran, the Ambassador said that the U.S. was committed to renewing assistance to Honduras, but in a way that takes a new look at development and investment, rather than return to business as usual. Bogran noted that the GOH is appointing a commission to discuss the issue of fuel pricing, which has been an important topic for fuel importing companies. The Ambassador said that the MCC compact is at a critical juncture, and that it would require leadership and a commitment to achieve and sustain the compact goals. Bogran said that the administration of President Lobo is committed to increasing trade and investment, and is also instituting a Ministry of Energy to coordinate policy in that area. End summary.

¶2. (SBU) The Ambassador met with the Minister of the Presidency and First Presidential Designate, Maria Antonieta Bogran, on February 16. Bogran was accompanied by Vice Minister of the Presidency Marlon Tabo. Also in attendance were the DCM, USAID director, and MCC Director.

¶3. (SBU) The Ambassador emphasized that, while the USG is in the process of normalizing relations and renewing assistance to Honduras, we would not be returning to "business as usual." Rather, we would be asking how we can do things differently and better than before. He highlighted economic and development priorities including investment and trade, Pathways to Prosperity, the MCC compact, and the Merida Task Force. He pointed out that once the assistance spigot is turned on, USAID could provide over \$50 million to Honduras in FY 2010. This includes \$10 million in funds dedicated to the food security initiative. The Ambassador assured Bogran that the USG would be an ally in Honduras's efforts to attract investment, and proposed a trade mission to Honduras by U.S. companies in July. He said that renewable energy will be a special emphasis as the USG seeks new investment opportunities for U.S. companies in Honduras.

¶4. (SBU) Minister Bogran expressed her appreciation for the good relationship between Honduras and the U.S. and noted that it is a priority for President Lobo to renew that relationship in political, diplomatic, and commercial areas. She noted that the Ministry of the Presidency works as a facilitator to find ways to accomplish GOH goals and resolve

the issues most important to the Honduran people. She pointed out that she would be working to implement the Nation Plan, which acts as a vision and guide for coordination and prioritization. As part of this plan, the GOH would focus its efforts across six regions of the country to be able to better track development projects, trade, foreign investment, tourism, infrastructure, education, and the activities of other philanthropic organizations in each region. Especially in depressed regions, such as La Mosquitia, she emphasized the importance of long-term planning and intervention to increase sustainability and avoid projects that have quick but short-lived benefit.

¶15. (SBU) Bogran also raised the subject of the fuel price formula (reftel A), saying that the GOH is discussing the issue and is appointing a commission to find the right break-even point in the pricing. (Note: Fuel importers complained that they were operating at a loss in Honduras due to the Zelaya government's pricing policies. The de facto regime partially addressed their concerns by allowing a higher price for premium than for regular gasoline. The new government is conducting a review of the issue. End note.) Bogran said she had heard from the fuel importers that the recent change to the pricing for premium fuel had solved only a small part of the problem, and that the importers had emphasized they are not donors, but profit-driven. She noted that, since this is a sensitive issue to consumers, the government is working quietly but steadily to resolve the issue. The Ambassador stressed that Honduras had imposed an unfair price formula U.S. oil companies that had imposed

TEGUCIGALP 00000165 002 OF 002

major operating losses. The Ambassador urged Bogran to make this a priority investment issue and send a clear signal that these "Fortune 100" investors were treated fairly. Fixing the price formula issue would be an important measure to help restore a positive investment climate in Honduras. Bogran indicated understanding of the urgency of the situation, noting that arrangements with Petrocaribe are no longer in force.

¶16. (SBU) Regarding the MCC compact, the Ambassador and MCC Director said that it is at a critical juncture, and would require the Minister's leadership in chairing the MCA-Honduras Board of Directors to sustain the investments already made. The MCC Director also pointed out that Honduras's performance in key indicators is vital for the possibility of a further MCC program. Bogran said that President Lobo was keeping the existing technical team in place to maintain continuity, and that she would be holding a Board of Directors meeting the following week. She noted the strong commitment of the administration to improve transparency and fight corruption. She said that democracy is more than just an election, and must be followed up with the kind of development projects people are looking for. When asked about assistance in the areas of transparency and democracy, the Ambassador replied that there are teams in the embassy and USAID that can share ideas and experiences. He noted that if President Lobo keeps his promise for transparency, the people will follow, but if he fails, there will be serious consequences. The Ambassador and Bogran agreed that human rights must also be a part of this discussion, and Bogran noted that this would be a part of the work of the Truth Commission.

¶17. (SBU) Bogran told the Ambassador that the government plans to improve tax collection and to look closely at the issue of education, especially the burden of teacher salaries on the overall budget. She said that President Lobo has a new project to focus on foreign investment and trade zones, and that he will create an energy ministry to oversee an integrated policy.

¶18. (SBU) The Ambassador and Bogran agreed to bring their teams together for more discussions on economic issues, the Merida Task Force, Pathways to Prosperity, renewable energy,

transparency and governance. Bogran said President Lobo would want to participate in these meetings. (Note: The Embassy Economic Team will meet with Lobo and his Economic Cabinet on Wednesday, February 24. End Note)

¶9. (SBU) Comment: The Minister of the Presidency and First Presidential Designate is the key point person and adviser in the Lobo administration, the person the President will turn to first to help solve problems and implement policy.

Because of her position, focus, intellect, and desire to develop a working agenda with the U.S., Embassy Tegucigalpa expects to work closely with Minister Bogran.

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